



Arnold Schwarzenegger
Governor

August 2, 2010
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Mr. Mike Watanabe, President and CEO
Asian American Drug Abuse Program
2900 South Crenshaw Blvd.
Los Angeles, CA 90016

Dear Mr. Watanabe:

**WORKFORCE INVESTMENT ACT
15-PERCENT / 25-PERCENT PROJECT REVIEW
FINAL MONITORING REPORT
PROGRAM YEAR 2009-10**

This is to inform you of the results of our review for Program Year (PY) 2009-10 of the Asian American Drug Abuse Program's (AADAP) administration of its Workforce Investment Act (WIA) 15-Percent and 25-Percent Veterans Employment-Related Assistance Program (VEAP) Project, Subgrant Number R972976. Mr. Tom Liu conducted this review from May 24, 2010 through May 28, 2010. For the program operations portion of the review, we focused primarily on the areas of program administration, participant eligibility, WIA activities, monitoring, if applicable, and management information system/reporting. For the financial management portion of the review, we focused primarily on the areas of accounting systems, expenditures, allowable costs, cost allocation, reporting, cost pools, indirect costs, cash management, internal controls, program and interest income, single audit, if applicable, and property management. For the procurement portion of the review, we focused on procurement competition, cost and price analyses, and contract provisions.

We conducted our review under the authority of Sections 667.400(c) and 667.410(b)(1)(2)(3) of Title 20 of the Code of Federal Regulations (20 CFR). The purpose of this review was to determine the level of compliance by AADAP with applicable federal and state laws, regulations, policies, and directives related to the WIA grant regarding program operations, financial management, and procurement.

We collected the information for this report through interviews with AADAP representatives and WIA participants. In addition, this report includes the results of our review of sampled case files for participants enrolled in the WIA VEAP Project; a review of AADAP's response to Sections I and II of the Program Onsite Monitoring Guide; applicable policies and procedures; and a review of documentation retained by AADAP for a sample of expenditures and procurements.

We received your response to our draft report on July 6, 2010, and reviewed your comments and documentation before finalizing this report. Because your response adequately addressed finding 2 cited in the draft report, no further action is required and we consider the issue resolved. Your responses adequately addressed findings 1 and 3 cited in the draft report; however, these issues will remain open until we verify the implementation of your stated corrective action plan during a future onsite review. Until then, these findings are assigned Corrective Action Tracking System (CATS) numbers 10089 and 10091.

BACKGROUND

The AADAP was awarded \$250,000 in WIA 15-Percent funds and \$250,000 in WIA 25-Percent funds to operate a WIA VEAP Project and serve 100 WIA 15-Percent and 25-Percent participants from December 1, 2008 through June 30, 2010.

For the month ending April 30, 2010, AADAP reported that it spent \$217,331.43 of its 15-Percent funds and \$226,202.11 of its 25-Percent funds and enrolled 103 WIA 15-Percent and 25-Percent participants. We reviewed case files for 30 of the 103 WIA 15-Percent and 25-Percent participants enrolled in the WIA project as of May 26, 2010.

PROGRAM REVIEW RESULTS

While we concluded that, overall, the AADAP is meeting applicable WIA requirements concerning grant program administration, we noted instances of noncompliance in the areas of reporting of participant activity and incident reporting. The findings that we identified in these areas, our recommendations, and AADAP's proposed resolution of the findings are specified below.

FINDING 1

Requirement:

WIA Section 185(d)(1)(B) states, in part, that information to be included in reports shall include information regarding the programs and activities in which participants are enrolled, and the length of time that participants are engaged in such programs and activities.

20 CFR Section 667.300 states, in part, that a state or other direct grant recipient may impose different forms or formats, shorter due dates, and more frequent reporting requirements on subrecipients.

Workforce Services Directive (WSD) 09-8 states, in part, that all recipients of WIA funds will submit client data via the Job Training Automation (JTA) system, complying with the

specifications for each data field. Further, a separate line on the enrollment form will be used for each specific activity.

Observation:

We reviewed 30 participant case files and compared the services recorded in the case files and case notes with the services recorded on the WIA enrollment forms. The WIA enrollment forms indicated that all 30 participants received supportive services; however, in 13 of the 30 participant case files, there was no documentation to show that the participant received any supportive service. AADAP staff stated that they automatically report supportive service for all participants whether or not it is actually provided.

Recommendation:

We recommended that the AADAP review its active participant case files, update the JTA system to reflect the actual services provided to all the participants, and provide the Compliance Review Office (CRO) with documentation of its actions. Additionally, we recommended that AADAP provide CRO with a corrective action plan (CAP) indicating how they will ensure that, in the future, participant activity codes are reported accurately.

AADAP Response:

In its response, the AADAP stated it felt the observation stated above was not a complete description of the actual discussion during the on-site visit. It stated that when a participant is enrolled in the WIA VEAP Project, an objective assessment is conducted for each participant and this assessment becomes the basis for developing an Individual Employment Plan (IEP). Each Vocational Counselor includes in the IEP what he/she thinks are appropriate planned activities for each participant and these are recorded into appropriate WIA forms. All planned activities, including supportive services, are reported in the JTA system with each activity having a beginning date and an estimated end date.

The AADAP also stated a review of all VEAP case files was conducted to correct any inconsistencies of documentation of the activities and services that were provided to VEAP participants and has provided CRO a corrected VEAP participant report which shows, in part, the removal of the supportive service activity code from the JTA system for the 13 participants referenced above. In addition, the AADAP stated that this procedure will be on-going to ensure quality control and that the activities and services that are provided

to participants are accurately coded and entered into the JTA system.

State Conclusion:

The AADAP's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, the AADAP's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10089.

FINDING 2

Requirement:

20 CFR Section 667.630 states, in part, that information and complaints involving criminal fraud, waste, abuse or other criminal activity must be reported immediately through the Department's Incident Reporting System to the Department of Labor's (DOL) Office of Inspector General (OIG) with a copy simultaneously provided to the Employment and Training Administration (ETA).

WIA Directive WIAD02-3 states, in part, that each subrecipient shall establish appropriate internal program management procedures to prevent and detect fraud, abuse, and criminal activity. These procedures must include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity. Internal management procedures must be in writing and include the designation of a person on the subrecipients' staff who will be responsible for such notifications.

Observation:

We observed that AADAP's written incident reporting policy does not have policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity. Furthermore, it does not indicate a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity.

Recommendation:

We recommended that AADAP revise their incident reporting policy to include policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity which needs to include a reporting process to ensure that OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity as outlined in the above requirements.

AADAP Response: In its response, the AADAP provided a copy of its revised incident reporting policy which includes policies and procedures related to preventing and detecting fraud, waste, abuse, or other criminal activity. The procedures also include a reporting process to ensure that the OIG and CRO are notified immediately of any allegations of WIA-related fraud, abuse, or criminal activity.

State Conclusion: We consider this finding resolved.

FINANCIAL MANAGEMENT REVIEW RESULTS

We concluded that, overall AADAP is meeting applicable WIA requirements concerning financial management.

PROCUREMENT REVIEW RESULTS

While we concluded that, overall, the AADAP is meeting applicable WIA requirements concerning procurement, we noted an instance of noncompliance in the area of cost or price analysis. The finding that we identified in this area, our recommendation, and the AADAP's proposed resolution of the finding is specified below.

FINDING 3

Requirement: 29 CFR Section 95.45 states, in part, that some form of cost or price analysis shall be made and documented in the procurement files in connection with every procurement action.

WIAD00-2 states, in part, that recipients must have written procedures that include requirements for a price or cost analysis.

Observation: We observed that AADAP did not perform a cost or price analysis prior to the purchase of ten canopies for a program event from International E-Z Up, Inc. in the amount of \$1,177.50. AADAP staff indicated that a cost or price analysis was not performed because the cost of each canopy was less than \$1,000.

Additionally, we observed that AADAP's procurement policies and procedures located within its Fiscal Operations Manual require purchases less than \$1,000 to have only one quote.

Recommendation: We recommended that AADAP provide CRO with a CAP indicating how it will ensure, in the future, that a cost or price analysis is completed for all procurement transactions. We also recommended that AADAP revise their procurement policies and procedures within its Fiscal Operations Manual to include the requirement identified above.

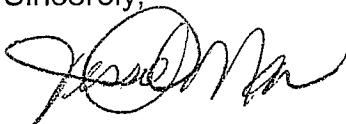
AADAP Response: In its response, the AADAP stated it has already implemented corrective measures to ensure that, in the future, a cost price analysis will be completed for all procurement transactions. For small purchases under \$1,000, AADAP will provide one additional quote to ensure that the price paid is competitive. In addition, AADAP submitted an updated copy of its procurement policies and procedures that is included in the agency's Fiscal Manual with the corrective measure identified above.

State Conclusion: The AADAP's stated corrective action should be sufficient to resolve this issue. However, we cannot close this issue until we verify, during a future onsite visit, the AADAP's successful implementation of its stated corrective action. Until then, this issue remains open and has been assigned CATS number 10091.

Because the methodology for our monitoring review included sample testing, this report is not a comprehensive assessment of all of the areas included in our review. As you know, it is the AADAP's responsibility to ensure that its systems, programs, and related activities comply with the WIA, related Federal regulations, and applicable State directives. Therefore, any deficiencies identified in subsequent reviews, such as an audit, would remain the AADAP's responsibility.

Please extend our appreciation to your staff for their cooperation and assistance during our review. If you have any questions regarding this report or the review that was conducted, please contact Ms. Cynthia Parsell at (916) 654-1292.

Sincerely,



JESSIE MAR, Chief
Compliance Monitoring Section
Compliance Review Division

cc: David Mayer, MIC 50
Georganne Pintar, MIC 50